

Message Text

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PAGE 01 VIENTI 00940 170726Z
ACTION EB-07

INFO OCT-01 EUR-12 EA-07 ISO-00 PM-04 NSC-05 SP-02
SS-15 L-03 CIAE-00 INR-07 NSAE-00 DODE-00 EPG-02
FRB-03 OMB-01 TRSE-00 /069 W
-----171211Z 108847 /53

R 170500Z JUN 77
FM AMEMBASSY VIENTIANE
TO SECSTATE WASHDC 8231
INFO AMEMBASSY BANGKOK
AMEMBASSY PARIS
AMCONSUL HONG KONG
AMCONSUL UDORN
CINCPAC

C O N F I D E N T I A L VIENTIANE 0940

CINCPAC FOR POLAD

E.O. 11652: GDS
TAGS: EFIN LA VM SOCI PGOV
SUBJECT: LPDR FREE MARKET RATE FOR DOLLARS

REF: A 76 VIENTIANE 2642, B VIENTIANE 0807, C VIENTIANE 0900

1. ON JUNE 15, 1977, ONE YEAR TO THE DAY AFTER THE LPDR INTRODUCED THE NEW "LIBERATION KIP" CURRENCY, THE FREE MARKET KIP EXCHANGE RATE REACHED AN ALL TIME HIGH OF 1900 KIP PER US DOLLAR. THE OFFICIAL KIP RATE IS 200 PER U.S. DOLLAR. ON JUNE 8, 1976, ONE WEEK BEFORE IT WAS REPLACED, THE "VIENTIANE KIP" HAD A FREE MARKET EXCHANGE RATE OF 12,000 AND OFFICIAL RATE OF 1200 KIP PER DOLLAR. WHEREAS, ONE YEAR AGO THE FREE MARKET WAS TEN TIMES THE OFFICIAL RATE, TODAY IT IS AGAIN ALMOST TEN TIMES THE OFFICIAL RATE DESPITE CONCERTED GOVERNMENT EFFORTS TO CONTROL IT.

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2. THE INCREASE IN THE FREE MARKET RATE FROM 1400 KIP MAY 12, 1977 TO 1900 JUNE 15 IS THE SHARPEST INCREASE IN A SINGLE MONTH'S TIME SINCE THE NEW "LIBERATION KIP" WAS INTRODUCED. ONE WELL INFORMED LAO LINKED THE RECENT FREE MARKET RATE INCREASE TO EROSION OF PUBLIC CONFIDENCE BECAUSE SEVERAL HIGH RANKING OFFICIALS ON THE VIENTIANE MUNICIPAL COMMERCIAL COMMITTEE WERE

ARESTED IN MAY. SOURCE TOLD EMBOFF THAT THE CHIEF OF THE COMMERCIAL COMMITTEE, KHAMTEM KALINYA, HAD REPORTEDLY ADMITTED TO STEALING OVER \$100,000 HE OBTAINED BY SELLING THE STOCKS OF PRIVATE MERCHANTS THAT HAD BEEN CONFISCATED BY THE GOVERNMENT, REPORTED REF A.

3. ANOTHER WELL INFORMED INDIAN SOURCE TOLD EMBOFF THAT MANY INDIAN MERCHANTS BELIEVE THAT THE FREE MARKET RATE FOR DOLLARS HAS INCREASED SHARPLY IN VIENTIANE BECAUSE DOLLARS ARE BEING TAKEN TO VIETNAM, LEAVING THE VIENTIANE DOLLAR MARKET IN SHORT SUPPLY. INDIAN AND LOCAL VIETNAMESE SOURCE SEPARATELY TOLD EMBOFF THAT THE DOLLAR-GOLD TRADE BETWEEN VIENTIANE AND HANOI, REPORTED REF B, HAS INCREASED WITHIN LAST TWO MONTHS AS MORE LAO AND VIETNAMESE NATIONALS HAVE JOINED SOVIETS IN THE TRADE.

4. A THIRD SPECULATION SHARED BY SEVERAL SOURCES IS THAT THERE HAS BEEN AN INCREASE IN THE NUMBER OF LAO FLEEING TO THAILAND DURING THE PAST MONTH WHO HAVE SOLD THEIR KIP SAVINGS IN VIENTIANE FOR DOLLARS, CAUSING THE FREE MARKET RATE TO INCREASE, REPORTED REF C.

5. INDIAN SOURCES ALSO TOLD EMBOFF THAT MANY MERCHANTS AND MONEY CHANGERS BELIEVE ANOTHER CURRENCY CHANGE IS IMMINENT AND ARE KEEPING THEIR WEALTH IN THE MORE STABLE DOLLAR CURRENCY.

6. COMMENT: RUMORS, SO EASILY GENERATED IN AN UNSTABLE ECONOMIC
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ENVIRONMENT, MAY THEMSELVES BE THE CAUSE OF THE RECENT RUNAWAY FREE MARKET KIP RATE.
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Message Attributes

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Control Number: n/a
Copy: SINGLE
Sent Date: 17-Jun-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
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Disposition Remarks:
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Executive Order: GS
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